

Message Text

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DRAFTED BY EUR/RPE: D B KURSCH:CFS
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TO USMISSION USNATO IMMEDIATE

C O N F I D E N T I A L STATE 169671

E.O. 11652: GDS

TAGS: EGEN, NATO, MPOL, UR

SUBJECT: U.S. COMMENTS ON SOVIET DEFENSE EXPENDITURES
DRAFT DECISION SHEET

REF: (A) STATE 165908, (B) USNATO 6369

FOLLOWING ARE COMMENTS OF U.S. EXPERTS ON SOVIET DEFENSE
EXPENDITURE DECISION SHEET CIRCULATED BY ACTING CHAIRMAN:

SECTION I (1) DELETE LINE 5 AND SUBSTITUTE:

-1970 PRICES, BY THE UNITED STATES EXPERTS, WHEN DEFENSE
EXPENDITURES ARE DEFINED AS IN THE UNITED STATES. THE
UNITED STATES EXPERTS ESTIMATE THAT WHEN DEFINED
MORE BROADLY AS SOVIET PRACTICE MIGHT REQUIRE, SOVIET
DEFENSE EXPENDITURES FOR 1977 WERE 58 TO 63 MILLIARD
RUBLES, IN CONSTANT 1970 PRICES.

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(2) DELETE LINES 3-D AND SUBSTITUTE:

-4 TO 5 PERCENT IN REAL TERMS, BUT FOR 1977 THE RATE
APPEARS TO HAVE SLACKENED TO ABOUT 3 PERCENT AS A
CONSEQUENCE OF THE WINDING DOWN OF CERTAIN MAJOR
ARMAMENT PROGRAMS.

COMMENT: OUR ESTIMATE IS THAT GROWTH IN DEFENSE SPENDING WAS 4.1 PERCENT IN 1976 AND 3.3 PERCENT IN 1977. ALSO WE OBJECT TO TALKING ABOUT THE COMPLETENESS OF WEAPONS PROGRAMS ON THE GROUNDS THAT SUCH A STATEMENT MIGHT BE PREMATURE.

(3) DELETE LINE 6 AND SUBSTITUTE:
-COMPARABLE TO THAT FOR THE PERIOD 1970-77.

(4) DELETE LINES 3-7 AND SUBSTITUTE:
-BY THE UNITED STATES EXPERTS, THE RESULTS OF WHICH HAVE BEEN INCORPORATED IN THE CURRENT U.S. ESTIMATE. THE NEW METHOD, BASED ON AGGREGATE INPUT COSTS, MAY BE SUPPLEMENTED BY A DIRECT COSTING APPROACH IN 1979.

SECTION II. (1) DELETE PARAGRAPH AND SUBSTITUTE:

-NOTED THAT ACCORDING TO THE UNITED STATES AND UNITED KINGDOM EXPERTS, WHEN EVALUATED AT MARKET PRICES, THE SHARE OF THE NATIONAL PRODUCT TAKEN BY DEFENSE EXPENDITURES IN 1977 HAS BEEN ON THE ORDER OF 11 TO 12 PERCENT WHEN USING THE NARROWER OF THE TWO DEFINITIONS PRESENTED IN THE UNITED STATES ESTIMATE.

(2) DELETE PARAGRAPH AND SUBSTITUTE:
-NOTED THAT THIS PERCENTAGE, IF BASED ON AN EVALUATION
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OF SOVIET NATIONAL PRODUCT EXPRESSED AT CURRENT FACTOR COST, INSTEAD OF MARKET PRICES, WOULD BE ON THE ORDER OF 13 PERCENT IN THE JUDGMENT OF THE UNITED KINGDOM EXPERTS.

(3) DELETE LINES 2-10 AND SUBSTITUTE:
-CONTINUED TO SLACKEN AND DROPPED TO A YEARLY AVERAGE OF 2 OR 3 PERCENT FOR THE PERIOD 1980-85, THE SOVIET LEADERS WOULD HAVE DIFFICULTY IN RAISING DEFENSE SPENDING BY MUCH MORE THAN 2 PERCENT YEARLY, ACCORDING TO THE GERMAN EXPERTS. THE UK AND US EXPERTS BELIEVE THAT THE ECONOMY WILL GROW AT A HIGHER RATE, 3 TO 3-1/2 PERCENT PER YEAR AND THAT THE LONG TERM RATE OF GROWTH OF DEFENSE SPENDING OF 4-5 PERCENT WILL CONTINUE IN THE 1980S. THE GERMAN, UK, AND US EXPERTS ALL AGREED THAT PRIVATE CONSUMPTION WILL SUFFER IN THE 1980S.

SECTIONS III, IV., V. NO CHANGES
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